

Press Release

Investments in Infrastructure – socioeconomic trends support the demand of institutional investors

- Dynamic growth of AUM and transactions continues in 2018
- Infrastructure has established itself as asset class for institutional investors, allocation rises
- BAI releases publications about the main topic infrastructure

Bonn, 9th November 2018. The role and meaning of infrastructure investments will increase in the future, according to the Bundesverband Alternative Investments e.V. (BAI), the central advocacy association for the alternative investment industry in Germany. This asset class, which, over many years, was shaped predominantly economic, is now much more influenced by socioeconomic trends such as climate change and the associated expansion of renewable energies, or digitisation and the expansion of fiber optic networks, or even urbanization or autonomous driving to mention other trends. Also facing the partly out-of-date infrastructure all over the world, investments in infrastructure are a special economic component which needs to involve institutional investors at its best.

Data provider Preqin estimates assets under management (AuM) in the segment (unlisted) infrastructure for 2017 at a new record level of approximately \$ 420 billion. This number remains below the AuM of other private markets segments such as private equity and real estate in particular. Because of the very good performance of this asset class in the past years, and because of the special portfolio characteristics of infrastructure, the interest of institutional investors is unbowed and they are planning, majoritarian, to increase the allocation, so that Preqin even recently in 2018 has prognosticated another record. The increased interest of institutional investors has also been taken into account by politics and supervision, for example in the form of specific regulatory requirements for investments in – qualified – infrastructure under Solvency II or the inclusion of infrastructure loans as a separate investment category in the Investment Ordinance for occupational or corporate pension schemes.

Infrastructure is no longer a niche segment for **BAI Managing Director Frank Dornseifer**: “What began as a small admixture, is today a real portfolio module. 5% of infrastructure assets are no longer a rarity among institutional investors or at least rather the clear goal of strategic asset allocation. Reasons, which still support assets in infrastructure, are besides the good performance, moreover, the low correlation and stable cash-flows. In addition, it is important that not only the amount of transactions with infrastructure assets rises, but also the number of successful exits. This is, as is generally known, the litmus test, investors are looking at.”

Facing the special complexity and heterogeneity, which distinguishes infrastructure from other investments, BaFin published in spring its own interpretative decision on infrastructure investments, and insofar filled the prudent person principle with life. In particular, BaFin took up the EIOPA Report on the Identification and Calibration of Infrastructure Risks from 2015, which led to the introduction of the new asset class "qualified infrastructure" under Solvency II.

To this, Dornseifer remarked further: "The market opportunities for infrastructure investments are considerable. But especially because of that, intensive engagement with the asset and the inherent risks is required. In this connection the BAI supports investors, e.g. with the relevant due diligence questionnaire for infrastructure assets or explanations on qualified infrastructure assets under Solvency. Moreover, we are now dedicating in November our activities especially on infrastructure investments, i.a. with a lot of information on this topic on our homepage. The market for infrastructure investments still has a lot of potential, and we as the relevant industry association will therefore lead this segment forward.

More information regarding infrastructure you can find on our BAI-Homepage and the new section "main topics": <https://bvai.de/en/main-topics-of-the-association-work.html>

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Bundesverband Alternative Investments e.V. (BAI) is the central advocacy association for the alternative investment industry sector in Germany. The BAI serves as a catalyst between institutional and professional German investors and recognized providers of alternative investment products worldwide. Particularly, one goal is to make it easier for institutional and professional German investors to more effectively diversify their financial assets into Alternative Investments, especially as many of those investors are responsible for safeguarding long-term retirement pensions. Another core task of the organization is to improve public awareness and enhance the understanding of asset classes and strategies in public. The BAI maintains an intense dialogue with political institutions as well as supervisory bodies. Furthermore, the BAI cooperates with various national and international organizations and industry associations. It advocates for legal reforms to design an attractive and competitive regulatory environment for Alternative Investments in Germany. At present, BAI counts 203 members from all areas of the professional alternative investments sector.